

Message Text

UNCLASSIFIED

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51

ACTION EUR-12

INFO OCT-01 ISO-00 SAJ-01 BIB-01 SP-02 AID-05 EB-07 NSC-05

RSC-01 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 L-02 H-02 PA-02 PRS-01 USIA-15 /103 W
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FM AMEMBASSY BONN

TO SECSTATE WASHDC 7785

INFO USMISSION OECD PARIS

UNCLAS BONN 02097

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: CENTRAL BANK COUNCIL DECISION

1. THE CENTRAL BANK COUNCIL IN ITS REGULAR BIWEEKLY MEETING TODAY DECIDED TO REDUCE BOTH THE REDISCOUNT AND THE LOMBARD RATES BY A HALF PERCENT TO 5.5 AND 7.5 PERCENT RESPECTIVELY. THE COUNCIL GAVE AS THE PRINCIPAL REASON FOR THIS DECISION THE FACT THAT, AS A COMPLEMENT TO GOVERNMENT EFFORTS TO REVERSE THE DOMESTIC ECONOMIC DOWNTURN - AS EVIDENCED PARTICULARLY IN RISING UNEMPLOYMENT, THERE MUST BE A LOOSENING IN THE CREDIT POLICY OF THE BUNDESBANK. THE PRESS SECTION OF THE BUNDESBANK ALSO OBSERVED THAT THE COUNCIL DECISION WAS TO A CONSIDERABLE EXTENT INFLUENCED BY RECENT CREDIT EASING DECISIONS BY THE FEDERAL RESERVE BOARD AND THE FACT THAT IF THE RATES IN GERMANY WEREN'T ADJUSTED ACCORDINGLY THERE WOULD BE FURTHER UNWANTED INFLOWS OF DOLLARS AND UPWARD PRESSURE ON DM.
HILLENBRAND

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Disposition Event:
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Margaret P. Grafeld
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